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The Protection of Well-Known Foreign Marks in the United States: Potential Global Response to Domestic Ambivalence

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The Protection of Well-Known Foreign Marks in the United States: Potential Global Response to Domestic Ambivalence

Cover Page Footnote

International Law; Commercial Law; Law

The Protection of Well-Known Foreign Marks in the United States: Potential Global Responses to Domestic Ambivalence

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I. Introduction

A well-known strategist announced that an unprecedented free flow of information has transformed citizens into “genuinely global consumers” who “all share the same information.”¹ A *Fortune* article enthusiastically declared, “[t]hinking about going

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¹ Kenichi Ohmae, *Managing in a Borderless World*, HARV. BUS. REV., May-June 1989, at 154.

global? Friend, you're too late. The train has already left. Today the competition for goods, services and ideas pays no respects to national borders . . . A one-world market exists for products ranging from cars to consumer electronics to carbonated drinks."² These comments are not recent posts on a blog or Twitter account, but are instead twenty-year-old declarations about the state of global commerce. If consumers from the 1980s, having neither the internet nor smartphones, were considered globally aware, then by today's standards such consumers could be regarded as utterly indifferent to geographic and informational barriers. The internet, along with multinational commerce of the past twenty years, has created an integrated and universal consumer marketplace.³

Unfortunately, when technology and commerce advance, legal rules inevitably lag behind.⁴ American courts have often not been so globally minded as their consumer counterparts.⁵ While consumers are increasingly aware of some foreign trademarks, a sharp circuit split among the federal courts has placed the protection of these valuable foreign marks in jeopardy.⁶ In spite of earlier precedent holding that well-known foreign marks are entitled to protection,⁷ a Second Circuit decision denied that protection for foreign marks when a subsequent user has used the

² Richard I. Kirkland, Jr., *Entering a New Age of Boundless Competition*, FORTUNE, Mar. 14, 1988, at 40. These proclamations were also cited by an author in 1991 for a similar purpose, to advocate for the greater protection of foreign marks. James A. Carney, *Setting Sights on Trademark Piracy: The Need for Greater Protection Against Imitation of Foreign Trademarks*, 81 TRADEMARK REP. 30, 30 (1991).

³ See Prabir K. Neogi & Arthur J. Cordell, *The Internet and the Need for Governance: Learning from the Past, Coping with the Future*, 15 J. INTERNET BANK. & COM. 2, 3 (2010).

⁴ See Dan Svantesson, *A Legal Method for Solving Issues of Internet Regulation*, 19 INT'L J.L. & INFO. TECH. 243, 256 (2011); Sean B. Seymore, *Atypical Inventions*, 86 NOTRE DAME L. REV. 2057, 2059 (2011) (citing Earl Warren, *Science and the Law: Change and the Constitution*, 12 J. PUB. L. 3, 5 (1963) ("[T]he development of science and technology and law do not advance hand in hand because '[t]he law lags behind until crisis stirs it into action'").

⁵ Cf. Andrew N. Adler, *Translating & Interpreting Foreign Statutes*, 19 MICH. J. INT'L L. 37, 45 (1997) (explaining how American courts are generally unable to interpret and translate foreign law due to inexperience and monolingualism).

⁶ Andrew Cook, *Do as We Say, Not as We Do: A Study of the Well-Known Marks Doctrine in the United States*, 8 J. MARSHALL REV. INTELL. PROP. L. 412, 417 (2009).

⁷ See *Grupo Gigante SA De CV v. Dallo & Co.*, 391 F.3d 1088, 1098-99 (9th Cir. 2004).

trademark domestically and a foreign user had abandoned the mark.⁸ As a result, foreign trademark owners cannot be certain that their trademarks will receive full and appropriate protection in the United States.⁹ This lack of protection arguably places the United States in violation of two major international treaties governing the protection of intellectual property rights.¹⁰

Scholars have recommended various solutions to the well-known marks problem. The most prominent solution reassesses the Lanham Act to better meet international trademark obligations.¹¹ Some writers advocate for amending the Lanham Act to include protection of well-known foreign marks.¹² Others remark that U.S. law does provide redress for owners of well-known foreign marks under international treaties, but that legal reforms remain necessary to solidify appropriate protection.¹³ Another proposed solution is the establishment of an international registry for well-known foreign marks as an amendment to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).¹⁴

While these proposals are certainly meritorious, this article

⁸ ITC Ltd. v. Punchgini, Inc., 482 F.3d 135, 142 (2nd Cir. 2009), *cert. denied*, 552 U.S. 827 (2007).

⁹ See, e.g., Maruti.com v. Maruti Udyog Ltd., 447 F. Supp. 2d 494, 500 (D. Md. 2006) (holding that the Fourth Circuit does not recognize the well-known marks doctrine).

¹⁰ The two treaties are the Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, as last revised at Stockholm on July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305 [hereinafter Paris Convention] and the Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS Agreement].

¹¹ Lee Ann W. Lockridge, *Honoring International Obligations in U.S. Trademark Law: How the Lanham Act Protects Well-Known Foreign Marks (and Why the Second Circuit Was Wrong)*, 84 ST. JOHN'S L. REV. 1347, 1378 (2010).

¹² See Blake W. Jackson, *Notorious: The Treatment of Famous Trademarks in America and How Protection Can be Ensured*, 3 J. BUS. ENTREPRENEURSHIP & L. 61, 89 (2009); Cook, *supra* note 6, at 413; Anne Gilson LaLonde, *Don't I Know You from Somewhere? Protection in the United States of Foreign Trademarks that Are Well Known but Not Used There*, 98 TRADEMARK REP. 1379, 1423 (2008).

¹³ See, e.g., Lockridge, *supra* note 11, at 1352-53.

¹⁴ See, e.g., Mindy Pava, Comment, *The Cuban Conundrum: Proposing an International Trademark Registry for Well-Known Foreign Marks*, 25 EMORY INT'L L. REV. 631, 679 (2011).

takes a different tack. Although non-recognition of well-known marks is a domestic judicial question, it is an issue with a potentially profound global influence.¹⁵ As foreign interests are thwarted by non-recognition of well-known marks, their respective governments will feel compelled to take action on their behalf.¹⁶ The result could be a retributive wave of sanctions against American interests.¹⁷ Not only are trademarks at stake, but any intellectual property dispute with the United States could be justified or reinforced in part by citing America's failure to honor its own treaty commitments toward well-known foreign marks.¹⁸ If used adroitly by foreign powers, a single court decision could generate ripple effects through American commerce.

This article explores the extent to which non-enforcement of well-known foreign marks in the United States can impact domestic interests around the world. Part I examines the legal protection of well-known foreign marks in the United States. It reviews the relevant treaties, explains the circuit split of opinion, and shows that the current state of affairs presents an uncertain and insufficient level of protection for well-known foreign marks. Part II analyzes the global impact of non-enforcement of these marks, highlighting the unique vulnerability that U.S. trademarks possess in a global space. Part II also discusses how nations seeking retribution could use international, national, and local interests to interfere with U.S. interests through both informal and formal means. Part III briefly explores how firms can defend

¹⁵ See LaLonde, *supra* note 12, at 1391 (noting there were 150 contracting parties to TRIPS).

¹⁶ See Marshall Leaffer, *The New World of International Trademark Law*, 2 MARQ. INTELL. PROP. L. REV. 1, 9 (1998) [hereinafter Leaffer, *The New World*] (discussing how the American territoriality approach to trademarks foregrounds national interests).

¹⁷ Cf. Elizabeth Townsend Gard, *Copyright Law v. Trade Policy: Understanding the Golan Battle Within the Tenth Circuit*, 34 COLUM. J.L. & ARTS 131, 143 (2010) (describing the United States' copyright policy as "antiforeign" and how international pressure and trade policy affected the United States' decision to eventually join the Berne Convention).

¹⁸ Cf. LaLonde, *supra* note 12, at 134; see also Ethan Horwitz & Jill Wasserman, *Famous Indian Restaurant Bukhara Denied Protection by Second Circuit*, METROPOLITAN CORP. COUNSEL, Nov. 2007, at 62 ("[I]f U.S. courts are seen as failing to protect foreign interests, U.S. companies will be in a weaker positions to assert their rights as U.S. entities under TRIPS in the courts and tribunals of foreign jurisdictions.").

well-known marks abroad in an uncertain legal environment. While lobbying for legislative action might be the ideal solution, firms can take a number of steps to inoculate themselves from the most invidious reactions of foreign governments dissatisfied with American treatment of intellectual property. Part IV concludes.

II. The Domestic Legal Protection of Famous Foreign Trademarks

A. Trademark Law and the Limitations of Territoriality

The underlying statute of federal trademark law is the Lanham Act of 1946.¹⁹ Among other things, the Lanham Act prohibits the infringement of protected trademarks and also empowers trademark owners to stop others from infringing.²⁰ The purpose of the Act is to protect consumers from confusion between product sources and defend mark owners from rivals' attempts to trade off the reputation of the owned mark.²¹ In order to gain protection under the Lanham Act, an owner of a trademark must show that a rival's use creates a likelihood of confusion for consumers between the established trademark and the challenged use.²² If a mark owner proves a likelihood of confusion in court, it can stop the rival's use and recover damages for losses.²³

Disputes over protection of well-known marks often come within the context of trademark priority. Such a dispute can occur when a junior user commences publication of a mark that conflicts with an established foreign mark of earlier creation.²⁴ A notable characteristic of the Lanham Act is its distinct determination of trademark priority.²⁵ First ownership of a trademark is determined

¹⁹ Trademark Act of 1946, Pub. L. No. 79-489, 60 Stat. 427 (codified as amended at 15 U.S.C. §§ 1051-1141n).

²⁰ *See id.*

²¹ *See* Peter W. Smith, *Trademarks, Parody, and Consumer Confusion: A Workable Lanham Act Infringement Standard*, 12 CARDOZO L. REV. 1525, 1529 (1991) ("One of the principal goals of the Lanham Act is to protect consumers from confusion and deception in the marketplace.").

²² 15 U.S.C. § 1114(1)(a) (2005).

²³ *See* 15 U.S.C. § 1114(2); J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 30:74 (4th ed. 2012).

²⁴ MCCARTHY, *supra* note 23, § 29.1.

²⁵ *Id.* § 16.

by the use of that trademark in ordinary commerce.²⁶ This rule governing priority in the United States has been called the “first in time, first in right” rule.²⁷ The rule contrasts with the practices of most nations that give trademark priority and ownership to the entity that first filed an application or obtained a registration.²⁸ While registration of a mark cannot negate prior usage of that mark by another in the United States, registration or application, in most other countries, sets the definitive date for trademark priority.²⁹ In other words, most countries allow a trademark holder to gain priority over challengers by being the first to register or apply for protection, regardless of when the applicant first used the mark in commerce.³⁰

While questions of priority can trigger well-known mark disputes, the underlying principle of greatest concern to well-known mark protection is the principle of territoriality.³¹ The territoriality principle holds that the priority of trademark rights depends solely on the priority of use in the country at issue and not on the priority of use anywhere else in the world.³² This principle stems from traditional notions of the important domestic functions trademarks serve, the independence of domestic rights from foreign obligations, and the concept of tying trademark protections to existing national political units.³³ It also stems from the broader legal tradition of territoriality, in which certain laws are applied according to where the event giving rise to the legal claim takes place.³⁴

Under the territoriality principle, courts recognize the right to

²⁶ *Id.* § 16:4.

²⁷ *Id.* § 16:1.

²⁸ *Id.* (“Whereas most civil law nations follow the rule that ownership and priority go to the party who was first to file an application or obtain a registration, in the United States, the rule of priority is that ownership and priority go to the party who was first-to-use.”).

²⁹ *Id.* § 16:4.

³⁰ MCCARTHY, *supra* note 23, § 16:4.

³¹ See Cook, *supra* note 6, at 423 (explaining the relationship between the territoriality principle and the principle of well-known mark protection).

³² MCCARTHY, *supra* note 23, § 29:1.

³³ See Graeme B. Dinwoodie, *Trademarks and Territory: Detaching Trademark Law from the Nation-State*, 41 HOUS. L. REV. 885, 907-08 (2004).

³⁴ See *id.* at 892.

use a mark in each country based solely on usage in that country and without reference to use of the same mark abroad.³⁵ The converse approach is the principle of universality, which holds that a mark signifies the same source wherever it is used in the world.³⁶ The United States follows the territoriality principle.³⁷

Early international treaties incorporated the territoriality principle as well. For example, the principle is reflected in Article 6(3) of the Paris Convention of 1883, which states, “[a] mark duly registered in a country of the [Paris] Union shall be regarded as independent of marks registered in other countries of the Union, including the country of origin.”³⁸ The Paris Convention thus established minimum protections for intellectual property and introduced the principle of national treatment.³⁹ This principle holds that member nations must treat foreign marks the same as they treat domestic ones.⁴⁰ The Madrid Agreement of 1891 established a registration system called the Madrid Union.⁴¹ Upon filing under the Madrid Union, a domestically registered mark receives the same protection in member nations designated by the applicant as if the mark had been registered separately in each nation.⁴² The Paris Convention and the Madrid Agreement can be interpreted as not establishing a global trademark system, but rather reinforcing the notion that each nation’s trademark law shall have only territorial application.⁴³

The territoriality principle’s country-by-country protection is based on the premise that a mark functions to connote goodwill rather than the origin of the goods *per se*.⁴⁴ Territoriality, unlike

³⁵ Pava, *supra* note 14, at 634.

³⁶ MCCARTHY, *supra* note 23, § 29:1.

³⁷ *Id.*

³⁸ Paris Convention, *supra* note 10, art. 6.

³⁹ *Id.* art. 2.

⁴⁰ *Id.*

⁴¹ Madrid Agreement Concerning the International Registration of Marks, Apr. 14, 1891, as last revised at Stockholm on July 14, 1967, 828 U.N.T.S. 389.

⁴² *Id.* art. 2.

⁴³ See Carlo Cotrone, *The United States and the Madrid Protocol: A Time to Decline, a Time to Accede*, 4 MARQ. INTELL. PROP. L. REV. 75, 96 (2000).

⁴⁴ See Lockridge, *supra* note 11, at 1392 (“An owner’s right to prevent others from using a confusingly similar mark is limited to the area in which the owner possesses goodwill or reputation.”).

universality, is concerned with ensuring the goodwill due to the domestic mark owner and protecting that owner against potentially harmful use of the mark by others within the domestic market.⁴⁵ In the words of the Fifth Circuit, “trademark rights exist in each country solely according to that country’s statutory scheme ‘It is well settled that foreign use is ineffectual to create trademark rights in the United States.’”⁴⁶ In other words, the territoriality principle assumes that each country is an insulated market in which goodwill can be analyzed separately from any associations a mark may carry in another country.

While the territoriality principle has long been called “fundamental” to U.S. trademark law, some scholars have suggested that United States courts should reconsider their use of the principle, especially in connection with well-known foreign marks.⁴⁷ Others have suggested that the principle “*should* be revisited in light of the globalization of markets and concomitant changes in modern marketing practices.”⁴⁸ Whether the principle of territoriality is critiqued through the lens of the well-known mark doctrine and its inconsistent application in the United States or through the lens of modern market realities, there is ample room for debate.

There is an inherent logic to territoriality in that it comports with an intuitive sense that each region should prescribe its own laws.⁴⁹ As one author explained, “[l]aw is contextual, and geography is an important part of context.”⁵⁰ The concept of

⁴⁵ MCCARTHY, *supra* note 23, § 29:1.

⁴⁶ *Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591, 599 (5th Cir. 1985) (quoting *La Societe Anonyme des Parfums Le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1270 n.4 (2d Cir. 1974)).

⁴⁷ *See, e.g., Lockridge, supra* note 11, at 1392.

⁴⁸ Dinwoodie, *supra* note 33, at 889 (emphasis added); *see also* Leaffer, *The New World, supra* note 16, at 28, (“[T]he territorial model of trademark law in such a world is an anachronism and, from a practical standpoint, hardly exists in its pure form.”).

⁴⁹ *Cf.* Anthony J. Bellia Jr. & Bradford R. Clark, *The Alien Tort Statute and the Law of Nations*, 78 U. CHI. L. REV. 445, 451 n.20 (2011) (“Historically the law of nations recognized that ‘every nation possesses an exclusive sovereignty and jurisdiction within its own territory.’” (quoting Justice Story in COMMENTARIES ON THE CONFLICT OF LAWS, FOREIGN AND DOMESTIC, IN REGARD TO CONTRACTS, RIGHTS AND REMEDIES, AND ESPECIALLY IN REGARD TO MARRIAGES, DIVORCES, WILLS, SUCCESSIONS, AND JUDGMENTS 19 (Hilliard, Gray 1834))).

⁵⁰ Dinwoodie, *supra* note 33, at 892.

territoriality makes sense, to some extent, where a mark has a local reputation.⁵¹ For example, consider a plumbing company that may have a fairly limited geographic range of service and may not advertise predominantly on the internet. While there may be online discussion of the service through a consumer review site such as Yelp,⁵² the mark itself may be best known to the local community. A subsequent user would be properly precluded from using the mark in the same community.⁵³

For many larger companies, however, trademarks often become well-known through the borderless internet rather than purely through local advertising.⁵⁴ Consumers learn about brands and develop impressions of marks through online interactions.⁵⁵ The vast increase in the use of social media marketing, search engine optimization, and related online marketing efforts speaks to the primary importance of internet advertising for most large corporations.⁵⁶ Because internet advertising by its nature crosses borders, the concept of territoriality may have become irrelevant to well-known marks, in some applications.⁵⁷

⁵¹ See LaLonde, *supra* note 12, at 1411 (noting how consumer familiarity with a trademark engenders goodwill toward the company, and this goodwill in turn contributes to the company's success in business).

⁵² YELP, www.yelp.com (last visited Oct. 16, 2012).

⁵³ See MCCARTHY, *supra* note 23, § 30:10 (discussing preliminary injunctive relief).

⁵⁴ See Lisa Williford Arthur, *eBay Becomes a Girl's New Best Friend as the Second Circuit Sidesteps the Nominative Fair Use Doctrine, Leaving Tiffany to Police Counterfeits in the Online Marketplace*, 12 N.C. J.L. & TECH. ON. 29, 50 (2010) ("Because the Internet makes it so easy to create an article, a webpage, or even an advertisement, ordinary trademarks can become famous overnight, thus making trademark liability more frequent and this distinction [between famous and ordinary trademarks] less important.").

⁵⁵ See Dan L. Burk, *Cybermarks*, 94 MINN. L. REV. 1375, 1376 (2010) ("[Trademarks on the internet] are no longer primarily expressive; they are functional in the most mechanical sense of the term; they have become a form of computer code.").

⁵⁶ Cf. Dan Malachowski, Comment, 'Username Jacking' in Social Media: Should Celebrities and Brand Owners Recover from Social Networking Sites When Their Social Media Usernames Are Stolen?, 60 DEPAUL L. REV. 223, 225-26 (2010) ("[S]ocial networking has changed the way in which brands and celebrities market themselves and how consumers make purchase decisions.").

⁵⁷ See Georgios Zekos, *State Cyberspace Jurisdiction and Personal Cyberspace Jurisdiction*, 15 INT'L J.L. & INFO. TECH. 1, 5 (2007) (describing how the internet does not fit into traditional spatial categories defining origin and source).

The debate over the extent to which courts should apply the territoriality principle in an internet-driven marketplace is informed by the analogous issue of internet-based personal jurisdiction.⁵⁸ For at least fifteen years, federal courts have debated the extent to which internet transactions might satisfy the minimum contacts necessary for personal jurisdiction.⁵⁹ In 1997, the *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*⁶⁰ decision established a sliding scale test to determine whether internet use is sufficient to exert personal jurisdiction over a defendant.⁶¹ Although courts have varied widely in their reactions to the “*Zippo* test,” and the Supreme Court has yet to rule on the issue, there is a growing consensus that personal jurisdiction may, in some cases, be based on internet activity alone.⁶² If courts can extend personal jurisdiction on the basis of internet use, then it makes sense to ask whether exceptions to the territoriality principle should be made for well-known foreign marks.

Although the problems with applying the territoriality principle are meaningful, especially in light of modern consumer behavior and the rapid transmission of information, solutions to the U.S. issue of territoriality have long been in place.⁶³ Early treaties are grounded in territorial protections, and both early and modern agreements acknowledge an exception for well-known marks and provide for their multinational recognition.⁶⁴ Article 6bis of the Paris Convention requires the protection of well-known marks across national borders that are used for identical or similar

⁵⁸ See *id.* at 4 (discussing how to determine personal jurisdiction, a concept largely based on territorial notions, concerning the internet, a virtual space devoid of physical definitions).

⁵⁹ See, e.g., *Barrett v. Catacomb Press*, 44 F. Supp. 2d 717, 731 (1999) (holding that a psychiatrist suing a rival for defamation had failed to establish personal jurisdiction because, among other considerations, the plaintiff did not demonstrate the defendant had established sufficient minimum contacts with the jurisdiction through her internet activity).

⁶⁰ 952 F. Supp. 1119 (W.D. Pa. 1997).

⁶¹ *Id.* at 1124.

⁶² See, e.g., *Illinois v. Hemi Group*, 622 F.3d 754, 758 (7th Cir. 2010) (rejecting *Zippo* test yet finding personal jurisdiction on the basis of website operation); *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063, 1077-78 (10th Cir. 2008) (finding personal jurisdiction established through eBay auction).

⁶³ See Lockridge, *supra* note 11, at 1352.

⁶⁴ *Id.* at 1358, 1361.

goods and are liable to create consumer confusion.⁶⁵ In doing so, it provides a way for the owners of well-known marks to protect those marks abroad, even when they could not demonstrate actual foreign use of those marks.⁶⁶ Article 6bis has been most influential for countries that base trademark priority on registration, rather than use, because it has otherwise been difficult to obtain relief against a mark holder in another nation where the senior mark holder has not registered.⁶⁷

Over ninety years later, the landmark TRIPS Agreement extended this famous marks protection to well-known service marks as well as to goods and services that are dissimilar to the well-known mark.⁶⁸ Furthermore, a non-binding joint recommendation by the Paris Union and the World Intellectual Property Organization affirmed that a mark would be protected in a country where it is well-known regardless of whether the mark is registered or used in that country.⁶⁹ The joint declaration also offered guidance to help determine whether a mark qualifies as well-known.⁷⁰ Factors include the degree of public recognition of

⁶⁵ The relevant treaty language states:

The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

Paris Convention, *supra* note 10, art. 6bis(1).

⁶⁶ *Id.*

⁶⁷ MCCARTHY, *supra* note 23, § 29:62.

⁶⁸ TRIPS Agreement, *supra* note 10, art. 16. Article 16(2) extends the Paris Convention's treatment of famous marks to services. *Id.* Article 16(3) extends the Paris Convention's treatment of famous marks to dissimilar goods. *Id.*

⁶⁹ Joint Recommendation Concerning Provisions on The Protection of Well-Known Marks adopted by the Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the World Intellectual Property Association (WIPO), arts. 2, 3, *adopted* September 20-29, 1999, WIPO Doc. No. A/34/13 [hereinafter Joint Recommendation]. For a further examination of the Joint Recommendation, see Maxim Grinberg, *The WIPO Joint Recommendation Protecting Well-Known Marks and the Forgotten Goodwill*, 5 J. INTELL. PROP. 1 (2005).

⁷⁰ Joint Recommendation, *supra* note 69, art. 2.

the mark, the duration and location of registrations, and the commercial value associated with the mark.⁷¹

The United States has signed both the Paris Convention and TRIPS, each of which include well-known marks exceptions to the general territoriality rule of the Lanham Act.⁷² When a nation is a signatory to a treaty, one would generally expect national compliance with the treaty's terms.⁷³ However, due to a technical legal requirement that a treaty be "self-executing," a signed treaty is not guaranteed the effect of U.S. domestic law.⁷⁴ The Paris Convention and TRIPS are non-self-executing treaties,⁷⁵ and do not become effective as domestic law until Congress enacts implementing legislation.⁷⁶ In contrast, self-executing treaties do not require separate domestic legislation.⁷⁷

Although the United States is a signatory, Congress has not fully incorporated provisions of TRIPS and the Paris Convention into the United States Code.⁷⁸ Some commentators recommend

⁷¹ *Id.*

⁷² See Bella I. Safro & Thomas S. Keaty, *What's in a Name? Protection of Well-Known Trademarks Under International and National Law*, 6 TUL. J. TECH. & INTELL. PROP. 33, 53 (2004) (examining the specific laws governing the protection of famous trademarks in the United States and other countries).

⁷³ See generally *Medellin v. Texas*, 552 U.S. 491, 504 (2008) (designating all treaties as "international law commitments"); David Sloss, *Non-Self-Executing Treaties: Exposing a Constitutional Fallacy*, 36 U.C. DAVIS L. REV. 1, 3 (2002) ("The United States has an important national interest in ensuring compliance with its treaty obligations . . .").

⁷⁴ See *Medellin*, 552 U.S. at 504 ("In sum, while treaties 'may comprise international commitments . . . they are not domestic law unless Congress has either enacted implementing statutes or the treaty itself conveys an intention that it be 'self-executing' and is ratified on these terms.'" (quoting *Igartua De La Rosa v. United States*, 417 F.3d 145, 150 (C.A.1 2005) (en banc) (Boudin, C. J.))).

⁷⁵ See Brandon Barker, *The Power of the Well-Known Trademark: Courts Should Consider Article 6bis of the Paris Convention an Integrated Part of Section 44 of the Lanham Act*, 81 WASH. L. REV. 363, 364 (2006); Dinwoodie, *supra* note 33, at 940; LaLonde, *supra* note 12, at 1385.

⁷⁶ See *Medellin*, 552 U.S. at 504-05. For a more in-depth examination and criticism of non-self-executing treaties, see Sloss, *supra* note 73.

⁷⁷ *Medellin*, 552 U.S. at 504-05. See generally Jordan J. Paust, *Self-Executing Treaties*, 82 AM. J. INT'L L. 760 (1988) (examining the constitutionality of the distinction between "self-executing" and "non-self-executing" treaties).

⁷⁸ See James Faris, *The Famous Marks Exception to the Territoriality Principle in American Trademark Law*, 59 CASE W. RES. L. REV. 451-53, 488-89 (2009) ("It is up to Congress, not the federal judiciary, to incorporate the famous marks doctrine into federal

that Congress amend the Lanham Act to incorporate the Paris Convention and TRIPS; some judges already treat these agreements as equivalent to domestic legislation.⁷⁹ Others argue that the Lanham Act should be read to include article 6bis of the Paris Convention without any need for Congressional action.⁸⁰ These reforms have not occurred.⁸¹ Without full execution of these treaties, the law in the United States remains uncertain regarding the protection of well-known foreign marks.⁸² Courts have thus been left to determine the extent to which the Lanham Act incorporates principles embedded in these international treaties.⁸³

B. The Uncertain Protection of Well-Known Foreign Marks

The struggle over the incorporation of the Paris Convention and TRIPS into American law has created fertile ground for conflicting court rulings on the protection of well-known foreign marks. The first appellate decision on the issue was *Grupo Gigante SA de CV v. Dallo & Co.*⁸⁴ The case involved a large and well-established Mexican grocery chain named “Gigante,” which opened in 1962 as a single shop in Mexico City and grew to over one hundred stores by 1991.⁸⁵ While Grupo Gigante operated no stores in the United States, six of its stores were located near the U.S.-Mexico border, including two in Tijuana, just south of San Diego.⁸⁶ In 1991, before Grupo Gigante expanded its operations into the United States, Michael Dallo began operating a grocery store in San Diego under the name “Gigante Market”.⁸⁷ Later that year, Michael’s brother Chris opened a second store in San Diego

trademark law.”).

⁷⁹ See, e.g., *id.* at 488-89; Dariush Keyhani, *Bulova Wrongly Decided: A Case Against Extraterritoriality of Trademark Law*, 7 J. INTELL. PROP. 33, 37 (2007).

⁸⁰ See e.g., Barker, *supra* note 75, at 384-89.

⁸¹ See Faris, *supra* note 78, at 488-89; Barker, *supra* note 75, at 384-89.

⁸² See Faris, *supra* note 78, at 488 (describing the lack of conclusive law on well-known marks exceptions in the United States)

⁸³ See Barker, *supra* note 75, at 373-84.

⁸⁴ 391 F.3d 1088 (9th Cir. 2004).

⁸⁵ *Id.* at 1091.

⁸⁶ *Id.*

⁸⁷ *Id.*

under the same name.⁸⁸ Grupo Gigante unsuccessfully confronted the Dallos' use of the word "Gigante" in 1998, and registered the "Gigante" mark with the state of California that June; the Dallos' did likewise the next month.⁸⁹ Grupo Gigante opened its first store in the United States in 1999, followed by two in 2000; each was called "Gigante," just as in Mexico.⁹⁰ In July 1999, the Dallos' sent Grupo Gigante a cease-and-desist letter demanding they discontinue their use of the name "Gigante," and Grupo Gigante responded by filing a lawsuit claiming trademark infringement under the Lanham Act.⁹¹

Under the traditional application of the territoriality principle of trademark law, Dallo's rights to the "Gigante" mark would have trumped Grupo Gigante's in the United States.⁹² Priority of trademark in the United States depends solely upon use of that mark within U.S. territory; the Dallos were the first to use the mark in the United States.⁹³ Grupo Gigante's earlier use of the trademark abroad would not override Dallo's use of Gigante in the United States.⁹⁴

The court ruled, however, that there was a well-known mark exception to the territoriality principle in the United States.⁹⁵ Specifically, the court concluded that a foreign mark may qualify for the well-known mark exception if the mark owner shows "that a substantial percentage of consumers in the relevant American market [are] familiar with the foreign mark."⁹⁶ Courts should consider factors such as whether the American copying of the foreign mark was intentional and whether American consumers are likely to think that they are patronizing the foreign enterprise in the United States.⁹⁷ The court said:

While the territoriality principle is a long-standing and important

⁸⁸ *Id.*

⁸⁹ *Id.* at 1092.

⁹⁰ *Gigante*, 391 F.3d at 1091.

⁹¹ *Id.* at 1091.

⁹² *Id.* at 1093.

⁹³ *Id.*

⁹⁴ *Id.* at 1093.

⁹⁵ *Id.* at 1093-94.

⁹⁶ *Gigante*, 391 F.3d at 1098.

⁹⁷ *Id.*

doctrine within trademark law, it cannot be absolute. An absolute territoriality rule without a famous-mark exception would promote consumer confusion and fraud. Commerce crosses borders. In this nation of immigrants, so do people. . . . There can be no justification for using trademark law to fool immigrants into thinking that they are buying from the store they liked back home.⁹⁸

According to the court, this exception allows, in certain cases, foreign nationals who use their trademarks in foreign markets to receive protection in the U.S. domestic market even though the mark has not yet been registered or used there.⁹⁹ The court remanded the district court's decision with instructions to reevaluate the claim in light of the famous marks exception to the territoriality principle.¹⁰⁰

This issue arose again three years later in the Second Circuit, in *ITC Ltd. v. Punchgini, Inc.*¹⁰¹ ITC is an Indian company that operates a restaurant called "Bukhara" in New Delhi.¹⁰² Situated inside a five-star hotel, since its opening in 1977, Bukhara has gained an international reputation, named one of the world's fifty best restaurants by a London magazine.¹⁰³ ITC expanded the Bukhara brand by opening more restaurants around the world, including in the United States.¹⁰⁴ In 1986, ITC opened a Bukhara restaurant in Manhattan.¹⁰⁵ In 1987, it opened a Chicago restaurant through a franchise agreement and registered its trademark with the United States Patent and Trademark Office.¹⁰⁶ The New York restaurant remained open for only five years.¹⁰⁷ In 1997, ITC cancelled the franchise agreement in Chicago.¹⁰⁸ Since that time, ITC had not used the Bukhara mark in any restaurant in

⁹⁸ *Id.* at 1094.

⁹⁹ *Gigante*, 391 F.3d at 1094-95.

¹⁰⁰ *Id.* at 1098-99.

¹⁰¹ 482 F.3d 135 (2d Cir. 2007).

¹⁰² *Id.* at 142-43.

¹⁰³ *Id.* at 143 n.4.

¹⁰⁴ *Id.* at 143.

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

¹⁰⁷ *ITC Ltd.*, 482 F.3d at 143.

¹⁰⁸ *Id.*

the United States.¹⁰⁹

In 1999, owners of Punchgini, Inc., opened the “Bukhara Grill” in New York City.¹¹⁰ The restaurant mimicked ITC’s logos, uniforms, menu style, and décor.¹¹¹ Some of the owners had worked at the original Bukhara restaurant in New Delhi.¹¹² One owner of Punchgini admitted in his deposition that since no Bukhara restaurant existed in New York, “we just thought we [would] take the name.”¹¹³

After sporadic written communications between the parties, ITC sued, claiming trademark infringement and other claims.¹¹⁴ At trial, ITC argued that the court should recognize the well-known marks exception to the territoriality principle as was done by the Ninth Circuit in *Gigante*.¹¹⁵ ITC submitted that the Lanham Act incorporated the exception present in the Paris Convention and TRIPS.¹¹⁶ After reviewing the origin and development of the well-known marks doctrine,¹¹⁷ the court concluded that the Paris Convention creates no rights beyond what is already provided in the Lanham Act and that there is no evidence of Congressional intent to incorporate a well-known marks exception.¹¹⁸ As a result, ITC could not prevent the former employees of Bukhara from using the Bukhara trademark in the United States.¹¹⁹ The court then affirmed the dismissal of the plaintiff’s Lanham Act claim.¹²⁰

The *ITC* decision resulted in a circuit split between two influential jurisdictions.¹²¹ The Ninth Circuit (author of the

¹⁰⁹ *Id.* ITC did use a “Dal Bukhara” mark to sell ready-to-serve food products in 2003. *Id.*

¹¹⁰ *Id.* at 144.

¹¹¹ *Id.*

¹¹² *Id.*

¹¹³ *ITC Ltd.*, 482 F.3d at 144 (citation omitted).

¹¹⁴ *Id.* at 144-45.

¹¹⁵ *Id.* at 161.

¹¹⁶ *Id.* at 161.

¹¹⁷ *Id.* at 156-62.

¹¹⁸ *Id.* at 161-62.

¹¹⁹ *ITC Ltd.*, 482 F.3d at 165.

¹²⁰ *Id.*

¹²¹ *Compare* Grupo Gigante SA de CV v. Dallo & Co., 391 F.3d 1088, 1094 (9th Cir. 2004) (recognizing that there is a famous mark exception to the territoriality principle in federal law), *with* *ITC*, 482 F.3d at 172 (ruling that Congress has not

Gigante case) is influential in part due to its geography.¹²² The circuit governs nine western states including California and has been influential in the development of trademark law in such areas as survey evidence and internet protection.¹²³ The Second Circuit (author of the *ITC* case), by contrast, governs only three states (Connecticut, Vermont and New York).¹²⁴ However, the Second Circuit, as noted in one sample, has published nearly one-third of trademark infringement opinions in the United States, creating for itself disproportionate influence over the development of trademark jurisprudence.¹²⁵ The Second Circuit is also responsible for developing the original list of factors that determine whether trademark infringement has occurred.¹²⁶ Although other federal circuits are under no obligation to follow a different circuit's approach, other appellate jurisdictions are likely to follow either the Second or the Ninth Circuit's lead, thus further entrenching the disagreement.

The obvious solution would have been for the Supreme Court to resolve the question. The Supreme Court, however, declined to hear *ITC*'s appeal.¹²⁷ Denying certiorari left the issue of when well-known foreign marks will be recognized in the United States unresolved and festering as a circuit split.¹²⁸ The next section of

incorporated the famous marks doctrine from the Paris Convention, nor TRIPS into federal law).

¹²² *Geographic Boundaries of the United States Courts of Appeals and United States District Courts*, U.S. COURTS, <http://www.uscourts.gov/uscourts/images/CircuitMap.pdf> (last visited Oct. 16, 2012) [hereinafter *Geographic Boundaries*]; see generally Richard A. Posner, *Is the Ninth Circuit Too Large? A Statistical Study of Judicial Quality*, 29 J. LEGAL STUD. 711 (2000) ("The United States Court of Appeals for the Ninth Circuit is by far the largest federal court of appeals of both population served and number of judgeships.").

¹²³ See generally Robert H. Thornburg, *Trademark Survey Evidence: Review of Current Trends in the Ninth Circuit*, 21 SANTA CLARA COMPUTER & HIGH TECH L.J. 715, 718 (2005) (reviewing current issues inherent in using trademark surveys at trial in light of the Ninth Circuit's "unique treatment and use of survey evidence").

¹²⁴ *Geographic Boundaries*, *supra* note 122.

¹²⁵ See Jerome Gilson, *The Lanham Act: Time for a Face-Lift?*, 92 TRADEMARK REP. 1013, 1018 (2002) (summarizing what are commonly known as the Polaroid factors).

¹²⁶ *Id.*

¹²⁷ *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007), *cert. denied*, 552 U.S. 827 (2007).

¹²⁸ See Alexis Weissberger, *Is Fame Alone Sufficient to Create Priority Rights: An*

this article discusses the global implications of that circuit split, which could have far reaching effects beyond a simple dispute over trademark ownership.

III. The Non-Enforcement of Well-Known Foreign Marks: The Potential for Global Retribution

Uncertain legal rules, such as those created by a circuit split, create problems for domestic and foreign firms doing business in the United States.¹²⁹ Uncertain rules promote costly and time-consuming litigation between firms unclear about their legal rights or obligations.¹³⁰ Duplicative contracting may be necessary because what may be permissible in one jurisdiction may not be permissible in another unless a “choice-of-law” clause is incorporated.¹³¹ Uncertain rules also promote overly conservative behavior by firms concerned about triggering regulatory scrutiny from authorities.¹³² The result could be a chilling effect whereby companies refrain from engaging in otherwise legal behavior for fear of triggering needless litigation from rivals.¹³³ Burdens imposed by these spillover effects force firms to act at a suboptimal level of efficiency, passing costs along to the consumer.¹³⁴

The disagreement between the *ITC* and *Grupo Gigante* cases represents more than a routine circuit split. If courts decline to fully respect well-known foreign marks in the United States, it places carefully developed global trademarks in jeopardy.¹³⁵ *ITC*,

International Perspective on the Viability of the Famous/Well-Known Marks Doctrine, 24 CARDOZO ARTS & ENT. L.J. 739, 742-44 (2006).

¹²⁹ See John E. Calfee & Richard Craswell, *Some Effects of Uncertainty on Compliance with Legal Standards*, 70 VA. L. REV. 965, 966-67 (1984).

¹³⁰ See Giuseppe Dari-Mattiacci & Bruno Deffains, *Uncertainty of Law and the Legal Process*, 163 J. INSTITUTIONAL AND THEORETICAL ECON. 627, 637-39 (2007).

¹³¹ See generally Richard J. Bauerfeld, *Effectiveness of Choice-of-Law Clauses in Contract Conflicts of Law: Party Autonomy of Objective Determination?*, 82 COLUM. L. REV. 1659 (1982) (discussing the cons of choice of law clauses).

¹³² See Calfee & Craswell, *supra* note 129, at 966-69.

¹³³ *Id.* at 1001-02.

¹³⁴ *Id.* at 966-69.

¹³⁵ Cf. U.S. INT'L TRADE COMM'N, INVESTIGATION NO. 332-519, CHINA: EFFECTS OF INTELLECTUAL PROPERTY INFRINGEMENT AND INDIGENOUS INNOVATION POLICIES ON THE U.S. ECONOMY 3-1 to 3-12 (2011), available at <http://www.usitc.gov/publications/332/pub4226.pdf> (explaining how the lack of intellectual property

for example, carefully cultivated its “Bukhara” trademark over a period of decades.¹³⁶ As a result of this careful cultivation, Bukhara managed to be rated one of the top restaurants in the world.¹³⁷ Diners patronizing such elite restaurants are likely to be well-travelled and recognize the Bukhara mark.¹³⁸ The *ITC* decision enables an upstart to deliberately poach the name and use *ITC*’s goodwill to create a rival restaurant.¹³⁹ Diners visiting the new Bukhara restaurant might encounter inferior food or service and associate that lower quality with the Bukhara name. Such a result would erode what companies so carefully try to construct: a well-known and respected brand readily recalled in the minds of its relevant consumers.¹⁴⁰

The disagreement about how to treat well-known foreign marks not only threatens the assets of foreign companies wanting to do business in the United States, but it also erodes the legitimacy of the United States and its role in supporting a strong global intellectual property regime. The United States has gone to great lengths to induce nations, especially developing nations, to comply with TRIPS and adopt Western-style intellectual property rights over the past fifteen years.¹⁴¹ During the 1980s and the early 1990s, the United States aggressively lobbied the Indian government, among others, to adopt strong Western-style intellectual property rights.¹⁴² By linking trade and intellectual

protection in China for U.S. firms damages U.S. global marks).

¹³⁶ *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 143 (2d Cir. 2007).

¹³⁷ *Id.*

¹³⁸ See 4A’s, *The 2011 Mendelsohn Affluent Survey*, 4A’S MEDIA MATTERS 8 (Mar. 14, 2012), <http://www.aaaa.org/news/bulletins/Documents/7381.pdf> (describing general habits of affluent Americans).

¹³⁹ See Jeffrey M. Reichard & Sam Sneed, *The Famous Marks Doctrine: A Call for American Courts to Grant Trademark Rights to Famous Foreign Marks*, 9 WAKE FOREST INTELL. PROP. L.J. 85, 97-98 (2009) (describing how new companies could legally use another company’s mark under *ITC Ltd.*, 482 F.3d at 143).

¹⁴⁰ See Alan S. Gutterman, *The North-South Debate Regarding the Protection of Intellectual Property Rights*, 28 WAKE FOREST L. REV. 89, 98 (1993) (“Trademarks can operate as both a valuable source of goodwill and a key marketing tool in foreign markets.”).

¹⁴¹ See Robert C. Bird, *Defending Intellectual Property Rights in the BRIC Economies*, 43 AM. BUS. L.J. 317, 323-29 (2006) (describing how America used its resources to influence Brazil, Russia, India, and China).

¹⁴² See *id.* at 322-25 (explaining that the United States recruited European trade

property, the U.S. government sought to impose (or imposed) economic consequences on national governments that refused to adhere to the proposed new rights.¹⁴³ In the case of India, the United States exerted pressure by way of the International Monetary Fund (IMF).¹⁴⁴ This external economic pressure eventually overcame internal Indian resistance to the new regime, and India ended its opposition.¹⁴⁵ From an Indian perspective, the United States' enormous pressure to strengthen intellectual property rights in India (largely in favor of American firms) seems duplicitous when an Indian enterprise that manages to penetrate the U.S. market receives an unenthusiastic response from American courts.¹⁴⁶

A. The Inherent Vulnerability of U.S. Trademarks Abroad and the Exacerbating Effect of Weak Well-Known Mark Enforcement

Even if Congress and the American courts were punctiliously compliant toward their international obligations, U.S. trademarks would remain a vulnerable American corporate asset abroad.¹⁴⁷ Trademark owners are uniquely susceptible to political, economic, and historical forces, all of which create disincentives for foreign governments to aggressively defend them.¹⁴⁸

partners and Japan to make intellectual property protection an issue in negotiations).

¹⁴³ See *id.* at 323 ("Developing countries, led by BRIC nations of India and Brazil, resisted American efforts to link trade and intellectual property rights.").

¹⁴⁴ See *id.* at 328-29 ("The United States pressured India to agree to the negotiation of TRIPS through its influence over International Monetary Fund assistance to the 1989 Indian economic crisis.").

¹⁴⁵ See *id.* at 329 ("India abandoned its opposition to TRIPS in order to maintain badly needed U.S. funding and trade access.").

¹⁴⁶ Cf. Paul B. Birden, Jr., *Trademark Protection in China: Trends and Directions*, 18 LOY. L.A. INT'L & COMP. L. REV. 431, 494 (1996) (calling the United States and other western countries economically "hypocritical" for condemning China for not stopping trademark infringement).

¹⁴⁷ See Dan Rosen & Chikako Usui, *The Social Structure of Japanese Intellectual Property Law*, 13 UCLA PAC. BASIN L.J. 32, 63-66 (1994) (explaining that U.S. trademarks may remain vulnerable because foreign cultures have a different idea of ownership leading to a comparatively lenient enforcement philosophy).

¹⁴⁸ See David H. Bernstein & Michael R. Potenza, *Why the Reasonable Anticipation Standard is the Reasonable Way to Assess Contributory Trademark Liability in the Online Marketplace*, 2011 STAN. TECH. L. REV. 9, ¶ 63 (2011) (arguing that a trademark owner's expertise isolates her, thus making her vulnerable to transient

Politically, legislators have little direct incentive to make defense of foreign trademark rights a priority.¹⁴⁹ Although foreign mark holders can exert influence through economic pressure,¹⁵⁰ foreign corporations and the workers they employ in their home country cannot participate in the domestic legislative process.¹⁵¹

By contrast, local manufacturing interests that employ local workers and have close connections to the government can exert significant pressure against strong protective legislation of foreign marks.¹⁵² Strong foreign trademark protection, and the associated financial benefits associated with that protection, could be painted to legislators as having a negative impact on the domestic economy.¹⁵³ An emerging foreign rival augmented by trademark protection can hurt the market share of domestic producers.¹⁵⁴ Those losses may be associated with closed factories and layoffs.¹⁵⁵

Furthermore, developing nations in particular are faced with a variety of pressing social ills. It is not unreasonable that legislative interest might be more focused on issues such as poverty and civil strife than the intangible rights of foreigners.¹⁵⁶ If local competitors perceive foreign marks as imposing an unfair advantage on foreign companies in domestic markets, trademark legislation protection might be the first avenue of legislative response.¹⁵⁷ This response might not be as drastic as rescinding

influences).

¹⁴⁹ See U.S. INT'L TRADE COMM'N, *supra* note 135, at 5-30 ("China's 2002 Government Procurement Law and subsequent implementing policies give priority to 'local' goods and services . . .").

¹⁵⁰ See Bird, *supra* note 141, at 325 (attributing TRIPS to a corporate coalition led predominately by American companies).

¹⁵¹ *C.f.* U.S. CONST. amends. XV, § 1, XIX, XXVI, § 1 (reserving the right to vote for U.S. citizens above the age of eighteen).

¹⁵² See Stephanie M. Greene, *Protecting Well-Known Marks in China: Challenges for Foreign Mark Holders*, 45 AM. BUS. L.J. 371, 381 (2008) (describing how state agents bow to local pressures regarding trademark enforcement).

¹⁵³ See *id.* at 384-86 (explaining two cases in which Chinese courts found for Starbucks and imposed fines on domestic companies).

¹⁵⁴ *Id.*

¹⁵⁵ *Id.*

¹⁵⁶ See Bird, *supra* note 141, at 323 (explaining that international trade may come second depending on domestic issues).

¹⁵⁷ See *id.* at 345 (describing how the United States used legislative action against

legislation; rather, updated or strengthened trademark legislation might be delayed, placed in a dead-end committee, or mired in unproductive procedural wrangling.¹⁵⁸ Regardless of whether legislative concern is focused in other directions or legislators actively seek to please their constituents, the result would likely be the same: delayed or diminished legislative interest in furthering foreign trademark protection.¹⁵⁹

Certain countries, particularly those with developing economies, might perceive licensors of foreign marks as exploiting local businesses and taking advantage of vulnerable consumers.¹⁶⁰ Consumer loyalty to aggressively advertised foreign trademarks can arguably not only disadvantage local businesses, but also suppress traditional consumption habits that better sustain long-term health.¹⁶¹ Illiterate consumers might be more easily swayed by sophisticated foreign advertising.¹⁶² Domestic interests might also fear economic pressure from wealthy foreign interests who would use their powerful brand equity to force local licensees into accepting onerous contract terms.¹⁶³ The perceived result would be that foreign trademark rights impede the economic self-sufficiency of brand-dependent emerging markets.¹⁶⁴ Local firms

India when India failed to comply with trade agreements).

¹⁵⁸ See *id.* at 348 (describing a cycle of delay utilized by India in response to U.S. pressure to strengthen intellectual property rights).

¹⁵⁹ See *id.* at 319 (describing the two types of responses a country coerced into protecting international trademarks might have as either (1) retaliatory or (2) delayed).

¹⁶⁰ See Marshall A. Leaffer, *Protecting United States Intellectual Property Abroad: Toward a New Multilateralism*, 76 IOWA L. REV. 273, 284 (1991) [hereinafter Leaffer, *Protecting United States*] ("Some developing countries have displayed hostility toward trademark protection in their substantive law. This attitude is nurtured by a fear that foreign licensors of trademarks exploit both local businesses and vulnerable consumers.").

¹⁶¹ Cf. Adam Benforado et al., *Broken Scales: Obesity and Justice in America*, 53 EMORY L.J. 1645, 1722-23 (2004) (describing distrust over globalization and the influence of multinational activities on domestic food politics).

¹⁶² See John P. Spitals, *The UNCTAD Report on the Role of Trademarks in Developing Countries: An Analysis*, 2 N.Y.L. SCH. J. INT'L & COMP. L. 369, 380 (1981).

¹⁶³ See Leaffer, *Protecting United States*, *supra* note 160, at 284 ("Foreign licensors are perceived as having superior bargaining power, permitting them to impose terms unfavorable to the local licensee.").

¹⁶⁴ See *id.* ("[L]ocal authorities believe that the increased use of trademarks will become an insurmountable obstacle to achieving economic self-sufficiency."); Samantha D. Slotkin, *Trademark Piracy in Latin America: A Case Study on Reebok International*

may believe that strong foreign trademark protection would make it difficult to convince consumers already accustomed to buying foreign goods to switch to local brands.¹⁶⁵ As a result, foreign trademarks may be perceived as having a suppressive effect on the establishment of local trademarks, a position supported by the United Nations Conference on Trade and Development.¹⁶⁶

Finally, historical events also encourage an environment that is hostile, or at least indifferent, to foreign trademark protection. Traditionally, trademark protection has been exploited only by firms from the wealthiest nations.¹⁶⁷ By 1974, half of all trademarks registered in developing countries were owned by foreigners.¹⁶⁸ Furthermore, foreign trademark owners have been known to abuse local licensees.¹⁶⁹ After negotiating an onerous license agreement, the foreign licensor sometimes allows the local licensee to build up the licensor's local business.¹⁷⁰ Just as the licensee expects to finally receive significant returns on its investment, the foreign licensor arbitrarily terminates the license and reaps the benefits of the licensee's hard work.¹⁷¹ Today, firms in many developing economies own valuable trademarks that can compete with virtually any brand that American firms can offer.¹⁷²

Ltd., 18 LOY. L.A. INT'L & COMP. L. REV. 671, 675 (1996) ("Increased protection also makes self-sufficiency extremely difficult for developing countries dependent on technology importation . . .").

¹⁶⁵ See Slotkin, *supra* note 164, at 675 ("Even if a local company decides to market locally manufactured goods, becoming established and gaining a market share may be difficult because consumers are accustomed to foreign goods.").

¹⁶⁶ Leaffer, *Protecting United States*, *supra* note 160, at 284.

¹⁶⁷ See Harriet R. Freeman, *Reshaping Trademark Protection in Today's Global Village: Looking Beyond GATT's Uruguay Round Toward Global Trademark Harmonization and Centralization*, 1 ILSA J. INT'L & COMP. L. 67, 71-72 (1995) (arguing that developed nations have established trademark protection laws while developing nations are creating such law).

¹⁶⁸ Spitals, *supra* note 162, at 378.

¹⁶⁹ See *supra* note 160 and accompanying text.

¹⁷⁰ See William H. Ball, Jr., *Attitudes of Developing Countries to Trademarks*, 74 TRADEMARK REP. 160, 163 (1984) ("This gives rise to the oft-cited example of the licensee in Peru, Yemen or wherever, who has worked for years to build up his foreign licensor's local business. Just as success is finally in his grasp, he is terminated arbitrarily.").

¹⁷¹ *Id.*

¹⁷² See *Making a Name for Themselves: Emerging Markets Are Now Creating Highly Valuable Brands*, ECONOMIST, Apr. 28, 2010,

In spite of this, the long-standing gross disparity in trademark ownership, along with incidents of abusive behavior, can cement the notion that trademark law remains mainly a tool for foreign advancement at the expense of domestic interests.

Given these political, economic, and historical factors, it would not be surprising for foreign governments—particularly those of developing nations—to view protection of U.S. trademarks with a degree of skepticism. National legislators already predisposed toward their own domestic mark holders would see little reason to support the protection of American trademarks when U.S. law may not protect foreign marks.¹⁷³ Non-enforcement may also reinforce the already established view that intellectual property protection is simply another form of economic colonialism by which developed nations seek to subvert the interests of the poorer nations in favor of their own.¹⁷⁴

<http://www.economist.com/node/16003537>. This article comments:

Although American technology firms—Google, IBM, Apple and Microsoft—grab the top four places, the list [of the 100 most valuable brands] contains 13 brands from big emerging markets (Brazil, Russia, India, China, and Mexico), compared with just one in the consultancy's [Millward Brown Optimor] 2006 league table. . . . Among the rich-world brands that have dropped out of the league are KFC, Yahoo!, and Ikea. Those taking their place include Baidu, a Chinese internet firm, ICICI, an Indian bank and Petrobras, a Brazilian oil giant. If you don't know them yet, you will.

Id.

¹⁷³ See *supra* note 146 and accompanying text.

¹⁷⁴ See generally Keith Aoki, *Neocolonialism, Anticommons Property, and Biopiracy in the (Not-so-Brave) New World Order of International Intellectual Property Protection*, 6 IND. J. GLOBAL LEGAL STUD. 11, 16-17 (1998).

In particular, as between the developed nations of the North and the less developed countries of the South, increasing numbers of scholars have been questioning whether the flow of benefits of international intellectual property protection, which are part of the whole "free trade" package, may be skewed to the advantage of the economies, cultures, and nations of the North.

Id. See also Clark W. Lackert, *Famous Marks: Dilution from an International Perspective*, in ANNUAL ADVANCED SEMINAR ON TRADEMARK LAW 154 (PLI Pat., Course Handbook Ser. No. 176, 1997) ("IP protection is viewed as a form of economic colonialism using trademarks as a form of exploitation.").

B. The Potential Reaction of Foreign Governments in the Global Environment

Trademarks already stand on shaky ground.¹⁷⁵ Foreign governments might not sit idly by if well-known marks from their countries do not receive full protection in the United States.¹⁷⁶ Such a reaction might occur in a global forum where multinational disputes are raised and resolved.¹⁷⁷ These fora could range from international organizations that resolve disputes to a court of global opinion that validates one's national position.

One of the most high-profile methods of resolving multinational disputes is through the dispute resolution forum provided by the World Trade Organization (WTO).¹⁷⁸ Typically, a member nation brings a complaint before the WTO's dispute resolution body alleging that some practice violates TRIPS or another treaty regime.¹⁷⁹ After a hearing, the body issues a decision and the loser may appeal.¹⁸⁰ Many believe the WTO settlement forum is particularly effective because it authorizes the winning party to enforce the body's decision by withdrawing trade concessions against the offending nation.¹⁸¹

Unfortunately, to the extent that the United States has interacted with global institutions on the topic of trademarks, its

¹⁷⁵ See Doris Estelle Long, *Rebooting Trademarks for the Twenty-First Century*, 49 U. LOUISVILLE L. REV. 517, 524 (2011) (explaining the subtleties behind a trademark infringement suit).

¹⁷⁶ Anthony P. Valach, Jr., *TRIPS: Protecting the Rights of Patent Holders and Addressing Public Health Issues in Developing Countries*, 4 J. INTELL. PROP. 156, 175 (2005).

¹⁷⁷ *Id.*

¹⁷⁸ See Alexandra R. Harrington, *They Fought for Trade but Did Trade Win?: An Analysis of the Trends Among Trade Disputes Brought by WTO Member States Before the Dispute Resolution Body*, 16 MICH. ST. J. INT'L L. 315, 319-23 (2007) and Alain J. Lapter, *The WTO's Dispute Resolution Mechanism: Does the United States Take it Seriously? A TRIPS Analysis*, 4 CHI.-KENT J. INTELL. PROP. 217, 226-38 (2005), for a discussion of the impact of the WTO dispute resolution process.

¹⁷⁹ The Final Act Embodying the Results of the Uruguay Round of Trade Negotiations, Annex 2: *Understanding on Rules and Procedures Governing the Settlement of Disputes*, Apr. 15, 1994, 33 I.L.M. 112, 126 (1994).

¹⁸⁰ *Id.* art. 16 § 4.

¹⁸¹ *Id.* art. 21 § 5. See also C. O'Neal Taylor, *Impossible Cases: Lessons From the First Decade of WTO Dispute Settlement*, 28 U. PA. J. INT'L ECON. L. 309, 315 (2007) (explaining that the prevailing party can enforce the agreement through the DSB).

behavior has not always been admirable. The United States faced a trademark-related dispute before the WTO in “United States — Section 211 Omnibus Appropriations Act of 1998.”¹⁸² In this dispute, the European Communities challenged Section 211 of the U.S. Omnibus Appropriations Act, known as the “Bacardi Bill,” which prevented Cuban nationals from registering or renewing the trademark of any product whose assets were confiscated as a part of the Cuban revolution.¹⁸³ Ostensibly a measure to punish acts of the Castro regime, this last minute addition to a 4000 page bill was more likely the result of a lobbying effort by Bacardi Rum to prevent French-Cuban rival Havana Club Rum from competing in the United States.¹⁸⁴

Reversing a contrary panel decision, the WTO appellate body concluded that Section 211 violated the national treatment and most-favored nation obligations under TRIPS and the Paris Convention.¹⁸⁵ According to the WTO’s summary of the case, full compliance has not occurred and Section 211 remains in force.¹⁸⁶ Meanwhile, Bacardi has launched its own Havana Club Rum brand in the United States.¹⁸⁷ In August 2011, the U.S. Court of Appeals for the Third Circuit upheld Bacardi’s right to use the

¹⁸² Panel Report, *United States — Section 211 Omnibus Appropriations Act of 1998*, 6 WT/DS176/AB/R (Aug. 6, 2001) [hereinafter U.S. Panel Report 2001], available at http://www.wto.org/english/tratop_e/dispu_e/176r_e.pdf (explaining that the European Communities’ complaint against the United States is that § 211(b) of the OAA violates trademark agreements).

¹⁸³ Kathryn B. Codd, Note, *Betting on the Wrong Horse: The Detrimental Effect of Noncompliance in the Internet Gambling Dispute on the General Agreement on Trade in Services (GATS)*, 49 WM. & MARY L. REV. 941, 960 (2007).

¹⁸⁴ See Michael Riley, Comment, *Cigars and Rum: Hazardous to the Health of Intellectual Property Law?: How the Cohiba Cigar and Havana Rum Cases Reveal a ‘Carve-Out’ for Intellectual Property Disputes with a Cuban Nexus*, 38 U. MIAMI INTER-AM. L. REV. 457, 466 (2007) (“Though Bacardi is based in Bermuda, it enlisted its Miami-based subsidiary to persuade Florida Senator Connie Mack to insert a provision into the 1999 Omnibus Consolidated and Emergency Supplemental Appropriations Act — Section 211, which has become known as the ‘Bacardi Bill.’”).

¹⁸⁵ See U.S. Panel Report 2001, *supra* note 182, at 115-16 (finding § 211 inconsistent with a number of articles of TRIPS).

¹⁸⁶ See Dispute Settlement, *United States - Section 211 Omnibus Appropriations Act of 1998*, WT/DS176 (adopted Feb. 1, 2002) [hereinafter WTO Section 211 Dispute] (lacking any mention of Section 211 having been repealed), available at http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds176_e.htm.

¹⁸⁷ Riley, *supra* note 184, at 465.

Havana Club name in the United States over the objections of Pernod Ricard USA, LLC, which sells Havana Club Rum elsewhere in the world.¹⁸⁸

The WTO could be the forum in which further challenges arise regarding the protection of trademarks. For example, in “World Trade Organization, Indonesia – Certain Measures Affecting the Automobile Industry,”¹⁸⁹ the European Communities and other nations asserted that an Indonesian system offering special tax and duty exemptions to certain Indonesian motor vehicle trademark owners violated TRIPS.¹⁹⁰ In another dispute, a group of nations led by Australia challenged the European Communities’ lack of protection for trademarks and geographical indications for agricultural products and foodstuffs.¹⁹¹

In addition to using the WTO to settle trademark-related disputes, nations could also use the retaliatory threat of WTO legal action as leverage in negotiations with the United States.¹⁹² Brazil did this by enacting a compulsory licensing statute that would forbid the use of any patent right unless the patent holder manufactured the subject of the patent in Brazil within three years from the patent granting date.¹⁹³ The United States responded by

¹⁸⁸ Pernod Ricard USA, LLC v. Bacardi U.S.A., Inc., 653 F.3d 241, 243 (3d Cir. 2011) (upholding the district court’s holding allowing Bacardi U.S.A., Inc., to use the name “Havana Club” on its rum). See also Don Jeffrey, *Bacardi’s ‘Havana Club’ Rum Name Not False Advertising, Appeals Court Says*, BLOOMBERG (Aug. 4, 2011, 2:22 PM), <http://www.bloomberg.com/news/2011-08-04/bacardi-s-havana-club-rum-name-not-false-advertising-appeals-court-says.html> (explaining that Bacardi U.S.A., Inc., is allowed to use “Havana Club” on its rum).

¹⁸⁹ Panel Report, *Indonesia – Certain Measures Affecting the Automobile Industry*, WT/DS54/R (July 2, 1998), available at http://www.wto.org/english/tratop_e/dispu_e/54r00.pdf.

¹⁹⁰ *Id.* at 2.

¹⁹¹ Panel Report, *European Communities - Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs*, WT/DS290/R (Mar. 15, 2005), available at http://trade.ec.europa.eu/doclib/docs/2005/april/tradoc_122747.pdf.

¹⁹² See Robert C. Bird & Daniel R. Cahoy, *The Impact of Compulsory Licensing on Foreign Direct Investment: A Collective Bargaining Approach*, 45 AM. BUS. L.J. 283, 312-15 (2008) (describing Brazil and India’s use of the WTO legal system to influence the United States).

¹⁹³ Anthony P. Valach, Jr., *TRIPS: Protecting the Rights of Patent Holders and Addressing Public Health Issues in Developing Countries*, 4 J. INTELL. PROP. 156, 175 (2005).

bringing a complaint before the WTO alleging that the law violated TRIPS because it gave preference to local patents.¹⁹⁴ Brazil quickly retaliated by filing its own WTO complaint alleging those portions of the United States Code requiring U.S. manufacture of certain products made with government funding also violated TRIPS.¹⁹⁵ Likely sensing opportunity, India intervened on Brazil's behalf, claiming that it had a significant interest in the case.¹⁹⁶ Brazil's retaliatory action combined with savvy public relations campaigning by Brazilian ministers resulted in the United States withdrawing its WTO complaint.¹⁹⁷

Smaller nations could potentially use the WTO complaint system to achieve favorable results. During the 1990s, Antigua, a traditionally poor nation, discovered newfound wealth by targeting the United States with internet gambling operations.¹⁹⁸ Pressure from the United States forced oversight and restrictions, triggering the industry's flight and leaving ten percent of the total Antiguan workforce jobless.¹⁹⁹ Antigua filed a complaint with the WTO, alleging that the U.S. ban on remote access gambling and payments violated its obligations under the General Agreement on Trade and Services (GATS).²⁰⁰ The United States has not yet complied with the WTO's decision.²⁰¹ The WTO dispute system allows the successful party to impose economic sanctions against a non-compliant state.²⁰² Antigua's economic power is small

¹⁹⁴ *Id.* at 176-77.

¹⁹⁵ Bird & Cahoy, *supra* note 192, at 313.

¹⁹⁶ *See id.* ("India also wished to join Brazil in its request for consultations regarding U.S. law . . .").

¹⁹⁷ *See id.* at 314 ("Brazil's counter-campaign combined with global public pressure forced the United States to withdraw its complaint from the WTO.").

¹⁹⁸ *See* Codd, *supra* note 183, at 946-47 (explaining Jay Cohen's internet gambling operations centered in Antigua that generated millions of dollars of revenue).

¹⁹⁹ *Id.* at 947.

²⁰⁰ *See* Dispute Settlement, *United States – Measures Affecting the Cross-Border Supply of Gambling and Better Services*, WT/DS285 (Feb. 1, 2002) available at http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds285_e.htm.

²⁰¹ Andre R. Jaglom, *Internet Distribution, E-Commerce and Other Computer Related Issues: Current Developments in Liability On-line, Business Method Patents and Software Distribution, Licensing and Copyright Protection Questions*, in *PRODUCT DISTRIBUTION AND MARKETING*, 541, 559 (2011); Codd, *supra* note 183, at 953-54.

²⁰² *See* Marrakesh Agreement Establishing the World Trade Organization, Annex 2, art. 22: Compensation and Suspension of Concessions, Apr. 15, 1994, 1869 U.N.T.S.

compared to the United States.²⁰³ However, if it were authorized to suspend its obligations under TRIPS by the WTO, the violation would give, at least in theory, a small nation like Antigua power to act against the United States, an economic powerhouse.²⁰⁴

WTO-backed legal sanctions incur double vulnerability when well-known foreign marks are not enforced.²⁰⁵ The sanctions are not limited to well-known U.S. marks in the complaining country, although those marks are an obvious target.²⁰⁶ The WTO actually authorizes cross-retaliation, which means that TRIPS non-compliance in one industry can be punished with a suspension of concessions in an entirely unrelated industry.²⁰⁷ As a result, non-protection of well-known foreign marks in the United States could threaten foreign protection of U.S. patents and copyrights, as well as trigger tariffs on goods and services.²⁰⁸

Conversely, WTO disputes in unrelated arenas can trigger sanctions against well-known U.S. marks. For example, when Brazil won its WTO claim against the United States regarding cotton subsidies to domestic producers, Brazil requested the right to retaliate not only against U.S. exports to Brazil but against U.S. intellectual property assets generally.²⁰⁹ American trademarks might prove a particularly tempting target for sanction.²¹⁰ As noted, American trademarks abroad may be perceived as a symbol of Western global dominance²¹¹ as well as an inhibitor of local

401, 33 I.L.M. 1226.

²⁰³ Shamnad Basheer, *Turning TRIPS on Its Head: An "IP Cross Retaliation" Model for Developing Countries*, 3 LAW & DEV. REV. 141, 189 (2010).

²⁰⁴ *Id.*

²⁰⁵ *Cf. id.* (describing Antigua's right to "cross retaliate" by suspending its GATS obligations in other sectors).

²⁰⁶ *Id.* at 162.

²⁰⁷ Basheer, *supra* note 203, at 145.

²⁰⁸ *Cf. id.* (arguing that an intellectual property cross retaliation against the United States may be a feasible remedy for developing countries).

²⁰⁹ Marcos Valadão & Nara Galeb Porto, *Brazilian Update: Securitization in Brazil, Tax Reform, and International Trade Issues*, 14 LAW & BUS. REV. AM. 159, 162-63 (2008).

²¹⁰ *Cf. Codd, supra* note 183, at 957 ("Between 1995 and 2004, the United States was the most active participant in dispute settlement, litigating as the respondent in fifty-seven disputes . . .").

²¹¹ See Katya Assaf, *The Dilution of Culture and the Law of Trademarks*, 49 IDEA 1, 80-81 (2008); Amir H. Khoury, *A NeoConventional Trademark Regime for*

economic progress.²¹² America's arguable non-compliance with TRIPS on this issue makes its marks a target of symbolic importance.²¹³ If pressed on the fairness of the retaliatory action, the complaining party could contend that sanctions against well-known marks have the double benefit of satisfying the WTO-authorized sanction authority as well as bringing the United States into compliance with the global economic system, which may benefit the global economic system as a whole.²¹⁴

Whereas sanctions against American foodstuffs and important commodities might have direct negative economic effects on the local economy and quality of life, sanctions against well-known trademarks are less burdensome.²¹⁵ Even a tiny nation such as Antigua could readily impose a special tax on intellectual property-related goods from the United States and combine it with a price control mechanism to ensure that the added taxes are not passed to the consumer.²¹⁶ The United States is a global economic power, and such economic power can inoculate it against the efforts of weaker nations to force compliance.²¹⁷ Nonetheless, well-known marks represent a tempting target for economic sanction; American non-enforcement of such marks represents a veritable invitation for developing and developed nations to impose them.²¹⁸

"Newcomer" States, 12 U. PA. J. BUS. L. 351, 368 (2010).

²¹² See Leaffer, *Protecting United States*, *supra* note 160, at 284.

²¹³ Cf. Khoury, *supra* note 211, at 368 (describing the "distinctively Western value" of U.S. marks).

²¹⁴ Cf. Basheer, *supra* note 203, at 141 (explaining that Antigua attempted to impose retaliatory sanctions against the United States in order to bring it into compliance with the international agreements on trade).

²¹⁵ Rachel Brewster, *The Surprising Benefits to Developing Countries of Linking International Trade and Intellectual Property*, 12 CHI. J. INT'L L. 1, 41-43 (2011).

²¹⁶ Basheer, *supra* note 203, at 144-46.

²¹⁷ *Id.* at 141.

²¹⁸ Cf. Ann Mota, *TRIPS: Ten Years of Disputes at the WTO*, 9 COMPUTER L. REV. & TECH. J. 455, 477 (2005) (describing the WTO complaint by the United States against Brazil's compulsory licensing statute and Brazil's retaliation of filing its own WTO complaint against the United States).

C. *Potential National and Local Responses to Weak Trademark Protection*

The responses by nations affected by weak U.S. trademark protection may not simply be limited to formal adjudicative procedures before the WTO. Non-enforcement of well-known marks can trigger local actions that threaten the economic well-being of global U.S. firms.²¹⁹ Such non-enforcement, or even unenthusiastic enforcement, may not be as visible as a WTO proceeding, but may be just as effective as a retaliatory tool. Local actions are harder for the U.S. government and business interests to quickly prevent.²²⁰

One of the simplest responses is for governments to fail to protect American latecomers to foreign markets.²²¹ Reebok, then a British producer of athletic footwear, endured ten years of unsuccessful litigation in Peru, attempting to cancel registration of pirated ownership and regain its Reebok name.²²² When a pirate filed an Argentine trademark application for “Hard Rock Cafe” in 1986, the true owners of the mark were ordered to cover all references to their name on Argentinean restaurants pending a ruling on the adverse application.²²³ At worst, the firm can be prevented from using its own mark in a foreign market, causing confusion in that and other markets as consumers learn of the pirate producer through the flow of global information.²²⁴ Even if

²¹⁹ See Robert J. Gutowski, *The Marriage of Intellectual Property and Trade in TRIPS: Strange Bedfellows or a Match Made in Heaven?* 47 BUFF. L. REV. 713, 722 (1999).

²²⁰ Cf. Leaffer, *Protecting United States*, *supra* note 160, at 281 (explaining that developing countries either do not provide governmental enforcement for intellectual property or provide insufficient enforcement).

²²¹ Gabriel L. Slater, Note, *The Suspension of Intellectual Property Obligations Under TRIPS: A Proposal for Retaliating Against Technology-Exporting Countries in the World Trade Organization*, 97 GEO. L.J. 1365, 1368 (2009).

²²² Gutowski, *supra* note 219, at 722.

²²³ Kathryn L. Barrett et al., *International Trademark Registration and Enforcement*, in DRAFTING LICENSING AGREEMENTS 1996: A SATELLITE PROGRAM, at 207, 213 (PLI Pat., Course Handbook Ser. No. 445, 1996).

²²⁴ Cf. B. Brett Heavner, *iPhone Haishi i-Phone? Zhongguo Dui Chiming Shanbia di Baohu (iPhone 还是 i-phone? 中国对驰名商标的保护)* [iPhone or i-phone? Protection for Famous Marks in China], MANAGING INTELLECTUAL PROPERTY, Sep. 1, 2009, at 55, available at http://www.managingip.com/pdfs/china_edition/MIP_China_0909.pdf, translated at <http://www.finnegan.com/resources/articles/>

the foreign firm wins in court, it will have to spend significant advertising revenue clearing its brand from the negative associations entrenched by the inferior counterfeit.²²⁵

A national legislature might also theoretically pass legislation that impedes the influence of foreign marks.²²⁶ In 1976, Mexico threatened to implement a trademark “linking law” that would have forced all foreign trademark owners to associate their marks with a local Mexican mark in order to use them in connection with goods produced in Mexico.²²⁷ Such a law would result in a kind of trademark expropriation that allows a local licensee to “free ride” on the reputation of the foreign mark holder.²²⁸ Other nations also tried implementing regulations in the 1970s and 1980s.²²⁹ Such linking laws have not been attempted recently, and are probably not the looming risk they once were.²³⁰ However, such laws could be used as a threat or as a tool to place foreign trademark protection on the bargaining table in exchange for broader protections of the domestic firms’ intellectual property rights abroad.²³¹ Nations still retain the power to severely restrict or even abolish the use of trademarks in their jurisdictions.²³²

Linking laws and other attempts to encumber foreign trademarks are not imminent threats, even if U.S. courts continue

articlesdetail.aspx?news=c46de5ed-711e-4e5b-960a-013abd4c7d6c (explaining that Apple cannot register the “iPhone” mark in China because of Hanwang’s prior trademark registration).

²²⁵ Cf. Haochen Sun, *Can Louis Vuitton Dance With Hiphone? Rethinking the Idea of Social Justice in Intellectual Property Law*, 15 U. PA. J. L. & SOC. CHANGE 389, 405 (2012) (providing that producers of distinctive goods must protect the economic value of their products from associations with counterfeited items).

²²⁶ See Leaffer, *Protecting United States*, *supra* note 160, at 284-85 (describing a Mexican law that tried to deter the effect of foreign trademarks).

²²⁷ *Id.*

²²⁸ *Id.* at 285.

²²⁹ Ball, *supra* note 170, at 164-65.

²³⁰ Thomas J. Hoffman, *International Trademark Practice*, in ADVANCED SEMINAR ON TRADEMARK LAW 1995, at 247, 324 (PLI Pat., Course Handbook Ser. No. 410, 1995).

²³¹ See Bird & Cahoy, *supra* note 192, at 310-12 (arguing that Brazil was able to bargain with U.S. firms because of its intellectual property-impairing compulsory licensing statutes).

²³² See Khoury, *supra* note 211, at 368-70 (describing but rejecting this approach as too costly). The notion of abolishing trademark was raised as a possibility in the early 1970s in order to reduce the price of pharmaceuticals. *Id.* at 369.

to not fully recognize foreign marks protection. Article 20 of TRIPS, for example, prohibits unjustifiable encumbrances upon the use of trademarks in commerce.²³³ This prohibition does not necessarily mean, however, that legislative encumbering of foreign marks would have no place as a retaliatory strategy.²³⁴ Countries, especially developing ones, know well that even a threat of intellectual property-impairing legislation can bring U.S. firms to the bargaining table, as Brazil did when its threats to break drug company patents helped secure it an affordable price for anti-retroviral AIDS drugs.²³⁵ Furthermore, passing TRIPS's non-compliant legislation does not necessarily trigger immediate WTO-authorized foreign sanctions.²³⁶ A typical WTO dispute lasts three years.²³⁷ Nations can further delay sanctions through persistent renegotiation of time to comply, as the United States has skillfully done in the Section 211 dispute discussed above.²³⁸ During this time, the offending legislation could remain in place, impeding the ability of U.S. trademark holders to penetrate and expand in foreign markets.²³⁹ In response, the United States could certainly circumvent the WTO dispute resolution process and impose sanctions unilaterally.²⁴⁰ Such action would leave the United States open to criticism for not adhering to the very international legal rules that it helped create and impose on developing nations.²⁴¹ Unilateral action would thus create a whole new set of problems regarding the legitimacy and moral authority of American global leadership.

Governments can conflate U.S. non-compliance with TRIPS

²³³ TRIPS Agreement, *supra* note 10, art. 20.

²³⁴ See Bird & Cahoy, *supra* note 192, at 310-12.

²³⁵ *Id.*

²³⁶ Timothy Stostad, Note, *Trappings of Legality: Judicialization of Dispute Settlement in the WTO, and its Impact on Developing Countries*, 39 CORNELL INT'L L.J. 811, 835 (2006).

²³⁷ *Id.* Some disputes take longer. See, e.g., William J. Davey, *The WTO Dispute Settlement System: The First Ten Years*, 8 J. INT'L ECON. L. 17, 49 (2005) (describing one WTO dispute that lasted nearly ten years).

²³⁸ See WTO Section 211 Dispute, *supra* note 186.

²³⁹ Cf. Heavner, *supra* note 224, at 55 (explaining that Apple cannot market its iPhone products until the issue with Hanwang's registered mark is resolved).

²⁴⁰ Leaffer, *Protecting United States*, *supra* note 160, at 295.

²⁴¹ Codd, *supra* note 183, at 963.

with pressing political issues.²⁴² For example, the United States has persistently pressured China to increase enforcement efforts against trademark pirates who copy American marks.²⁴³ Such piracy costs U.S. firms billions of dollars annually.²⁴⁴ While China has stepped up its efforts, this lobbying has provoked responses from Beijing.²⁴⁵ The commerce minister painted U.S. behavior as contradictory, commenting that while Washington wants China to release political prisoners from prison, it is now asking for more Chinese citizens to be put in jail.²⁴⁶

Indeed, Apple faced a serious challenge to the registration of its iPhone mark in China, one of its most profitable markets.²⁴⁷ When Apple registered its iPhone mark in China in 2002, it sought protection for the mark in connection with computer hardware and software, but not for mobile phones.²⁴⁸ In 2004, Hanwang Technology Co. registered the “i-Phone” mark for mobile phones.²⁴⁹ Because China gives priority based on registration rather than use in commerce, Hanwang was able to secure the legal right to use the “i-Phone” mark over Apple’s objections.²⁵⁰ If the United States had offered more predictable protection for Chinese well-known marks, China might in turn have had a stronger interest in protecting Apple’s marks, perhaps by allowing for a broader reading of the term “hardware” to include mobile phones.²⁵¹ Apple’s experience illustrates some of the problems

²⁴² See Dalilia Hoover, *Coercion Will Not Protect Trademark Owners in China, But an Understanding of China’s Culture Will: A Lesson the United States Has to Learn*, 15 MARQ. INTELL. PROP. L. REV. 325, 329 (2011) (describing the “climate of hostility” in trademark enforcement between the United States and China).

²⁴³ See *id.*

²⁴⁴ *Id.* at 327 (“Trademark piracy in China is still rampant and continues to cost foreign trademark owners billions of dollars in lost sales and jobs.”).

²⁴⁵ See Charles Hutzler, *China Pumps Up Limp Protections for Trademarks; As Beijing Stiffens Penalties for the Piracy of Products, Enforcement is Still Suspect*, WALL ST. J., Dec. 22, 2004, at A11.

²⁴⁶ *Id.*

²⁴⁷ Heavner, *supra* note 224, at 55.

²⁴⁸ *Id.*

²⁴⁹ *Id.*

²⁵⁰ *Id.*

²⁵¹ Cf. Mota, *supra* note 218, at 477 (describing the WTO complaint by the United States against Brazil’s compulsory licensing statute and Brazil’s retaliation by filing its own WTO complaint against the United States).

that U.S. companies now face, and will likely face in the future, in securing protection for well-known marks in other countries.²⁵²

The United States holds significant advantages in its flexibility to comply with global intellectual property rights.²⁵³ The United States is a global economic power.²⁵⁴ That power can inoculate the U.S. economy from coercive and retributive influence that might arise from the failure to enforce foreign marks.²⁵⁵ However, that does not mean that foreign nations are without the ability to make their influence felt. Nations with significant economic power can refuse to aggressively enforce U.S. trademarks in a way that imperils American interests abroad.²⁵⁶ Other nations can make trade disputes public and advocate for its position in the court of public opinion.²⁵⁷ It is unlikely that the *ITC* decision will provoke a wave of global trade counter-measures.²⁵⁸ The decision has been in force for approximately five years with criticisms largely confined to academic critiques.²⁵⁹ Yet, the possibility of negative consequences remains a live issue with unenergetic enforcement, and other heavy handed actions by the United States could potentially encourage a response by national interests.

The impact of this response would be felt by the U.S. government, but the brunt of any response would be shouldered by American firms doing business abroad.²⁶⁰ Firms with foreign intellectual property would have to take steps on their own to protect their intellectual property rights from being used as an

²⁵² For a more in-depth examination of the treatment of foreign famous marks in China, see Greene, *supra* note 152.

²⁵³ Basheer, *supra* note 203, at 141.

²⁵⁴ *Id.*

²⁵⁵ See Hoover, *supra* note 242, at 346.

²⁵⁶ See *id.* at 348.

²⁵⁷ See Basheer, *supra* note 203, at 141.

²⁵⁸ But see Kristin Zobel, *Famous Marks Doctrine: Can and Should Well-Known Foreign Marks Receive Trademark Protection within the United States*, 19 DEPAUL J. ART TECH. & INTELL. PROP. L. 145, 170 (2008) (predicting the need for either future legal or legislative action in order to navigate the *ITC* decision).

²⁵⁹ *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 135 (2d Cir. 2007). See generally LaLonde, *supra* note 12; Cook, *supra* note 6 (explaining that academics see the *ITC* decision as a roadblock to progress).

²⁶⁰ See Cook, *supra* note 6, at 419.

example for foreign retribution.²⁶¹ The next section briefly discusses measures American corporations can take to shield their marks abroad.

IV. Defending U.S. Trademarks Abroad from Retributive Effects

As noted earlier, the most obvious defense against any retribution arising from the non-enforcement of foreign marks is for Congress to amend the Lanham Act to fully protect them. Reforms are certainly plausible and have been suggested by other scholars in the past.²⁶² Literature exists studying the antecedents, consequences, and effectiveness of corporate political lobbying that need not be recounted here.²⁶³ The essential argument is little different than what has been emphasized here: the more effectively U.S. law protects well-known foreign marks, the more likely well-known American marks will be protected in foreign markets.²⁶⁴

Attorneys representing ITC unsurprisingly made this argument.²⁶⁵ ITC argued in its legal brief to the United States Court of Appeals that the United States cannot expect other nations to protect its well-known American trademarks if American courts refused to offer reciprocal protection.²⁶⁶ What is surprising, given the outcome of the case, is that the Second Circuit was open and receptive to it.²⁶⁷ The court indeed agreed that a persuasive policy argument could be made in support of well-known marks protection.²⁶⁸ Citing academic and judicial sources, the court noted the desirability of the well-known marks

²⁶¹ See Heavner, *supra* note 224, at 55.

²⁶² See *supra* note 12 and accompanying text.

²⁶³ For thorough reviews of corporate political activity, see generally Amy J. Hillman, Gerald D. Keim & Douglas Schuler, *Corporate Political Activity: A Review and Research Agenda*, 30 J. MGMT. 837 (2004); Brian Shaffer, *Firm-Level Responses to Government Regulation: Theoretical and Research Approaches*, 21 J. MGMT. 495 (1995) (stating the view that Congress has been wary to look to international law to solve domestic issues).

²⁶⁴ See Cook, *supra* note 6, at 419.

²⁶⁵ ITC Ltd. v. Punchgini, Inc., 482 F.3d 135, 165 (2d Cir. 2007).

²⁶⁶ *Id.*

²⁶⁷ *Id.*

²⁶⁸ *Id.*

doctrine due to the global movement of consumers and the rapid transmission of goodwill-creating information through media and the internet.²⁶⁹ The court also acknowledged that the well-known marks doctrine has become essential to prevent exploitation and piracy in the global trading system.²⁷⁰ The court emphasized that it was the prerogative of Congress to create an exception to the basic principle of territoriality.²⁷¹

Assuming that the *ITC* court is arguably correct that Congress must act in order to recognize the doctrine (the judges in the *Gigante* case apparently make no such confining assumption), it is far from certain that, even with private lobbying, Congress will amend the Lanham Act.²⁷² In the past, Congress has shown little interest in taking affirmative steps to incorporate the Paris Convention and TRIPS into the United States Code.²⁷³ While other provisions of TRIPS have triggered amendments of federal statutes, Congress has not chosen to address the issue of well-known foreign marks for over ten years.²⁷⁴ Congress might also be receptive to domestic firms lobbying against the measure in order to shield themselves from foreign competition.²⁷⁵ Combine these forces with the current congressional climate of suspicion toward foreign law, and legislative adoption of the foreign marks doctrine becomes a difficult task.²⁷⁶

Congress has shown little interest in improving protection for well-known foreign marks.²⁷⁷ Members of Congress may be

²⁶⁹ *Id.* (citing *De Beers LV Trademark Ltd. v. DeBeers Diamond Syndicate, Inc.*, 2005 U.S. Dist. LEXIS 9307 (2005)).

²⁷⁰ *ITC*, 482 F.3d at 165 (citing Frederick W. Mostert, *Well-Known and Famous Marks: Is Harmony Possible in the Global Village*, 86 TRADEMARK REP. 103, 106 (1996)).

²⁷¹ *Id.*

²⁷² See Bird, *supra* note 141, at 355.

²⁷³ See Cook, *supra* note 6, at 416.

²⁷⁴ Tashia Bunch, *Well-Known Marks: Where Do We Go From Here?*, 90 J. PATENT AND TRADEMARK OFF. SOC'Y 227, 231-32 (2008).

²⁷⁵ See Bird, *supra* note 141, at 323.

²⁷⁶ See generally David T. Hutt & Lisa K. Parshall, *Divergent Views on the Use of International and Foreign Law: Congress and the Executive versus the Court*, 33 OHIO N.U. L. REV 113 (2007) (describing the conflict between the courts and Congress regarding foreign markets policy).

²⁷⁷ See Bunch, *supra* note 274, at 231-32.

reluctant to act because, in addition to the overwhelming number of other pressing demands, there appear to be no direct and immediate benefits to their constituents.²⁷⁸ United States companies are unlikely to prioritize the legal protection of their competitors' intellectual property in their lobbying efforts, especially when those competitors cannot lobby competitively on their own behalf.²⁷⁹

As an alternative to congressional legislation, private interests could lobby the government to pressure any nation that threatens to place American trademarks in jeopardy.²⁸⁰ American firms have been skilled at lobbying the executive branch and the United States Trade Representative to compel compliance with TRIPS and ensure meaningful enforcement of local intellectual property law.²⁸¹ If a nation such as India threatens protection of American marks in retaliation for the United States failing to protect Indian marks in the United States, the United States could threaten trade sanctions against India in response.²⁸²

The problem is that coercion rarely results in long-term protection for intellectual property rights.²⁸³ Coercion can provoke retaliation by the targeted state and devolve the dispute into a trade war.²⁸⁴ Sanctions can hurt American interests, which rely on foreign trade, and provoke resentment.²⁸⁵ The result of coercive efforts might be a short-term defense of well-known marks, but at a cost of a long-term hostility towards the United States and its interests.²⁸⁶

Instead of pressuring government officials, U.S. firms can persuade them that protection of American trademarks is in the government's best interest. The protection of well-known foreign marks creates a beneficial economic effect for the domestic

²⁷⁸ *But see* Cook, *supra* note 6, at 419.

²⁷⁹ *But see id.*

²⁸⁰ *See* Bird, *supra* note 141, at 322.

²⁸¹ *Id.* at 322-23.

²⁸² *Id.* at 324.

²⁸³ *Id.* at 334-35.

²⁸⁴ *Id.* at 329.

²⁸⁵ *Id.* at 335-39.

²⁸⁶ Bird, *supra* note 141, at 335-39.

economy.²⁸⁷ Local firms, like their foreign counterparts, also suffer from piracy of their trademarked goods and services.²⁸⁸ Encouraging strong piracy prevention efforts for all firms and supplying of multinational expertise and know-how on the issue would allow local trademark-sensitive enterprises and foreign mark holders to share a mutual goal.²⁸⁹ Stronger protection of trademarks will allow local firms to more effectively engage in local research and development, attract technology transfer, and improve the local economy.²⁹⁰

Defense of foreign trademarks can influence the amount of foreign direct investment a nation attracts. Strong trademark protection is particularly important in influencing investment decisions for low-technology goods such as clothing because of the ease with which these goods can be pirated.²⁹¹ As a result, trademarks lower the cost of exporting for the foreign firm because the foreign firm needs to spend less to prevent piracy and compete.²⁹² For example, British firm Imperial Tobacco Group PLC (ITG) planned on building a \$70 million factory that would buy tobacco from 60,000 farmers and license its cigarette rolling technology from a local partner.²⁹³ Construction of the factory was put on hold when ITG learned that a local trader had stolen its Davidoff trademark.²⁹⁴ Losing at the trial level, ITG ultimately won its trademark back in an appeal to the Supreme Court of Indonesia.²⁹⁵ The significant delay caused by the local pirate, however, delayed local farmers and workers access to badly needed investment dollars until the trademark dispute was resolved.²⁹⁶ The director of Asian business development for ITG

²⁸⁷ Leaffer, *Protecting United States*, *supra* note 160, at 283.

²⁸⁸ *Id.*

²⁸⁹ *Id.*

²⁹⁰ *Id.*

²⁹¹ Keith E. Maskus, *The Role of Intellectual Property Rights in Encouraging Foreign Direct Investment and Technology Transfer*, 9 DUKE J. COMP. & INT'L L. 109, 109-61 (1998).

²⁹² *Id.*

²⁹³ Timothy Mapes, *Battle to Reclaim a Brand*, FAR EASTERN ECON. REV., May 22, 2003, at 36.

²⁹⁴ *Id.*

²⁹⁵ *Id.*

said at the time, "The country disqualifies itself in this way – and you're talking about losing thousands and thousands of jobs. I listen to my friends and they say, 'Why the hell are you bothering with this country.' And that's sad. The guy on the street is the one who eventually suffers."²⁹⁷

Foreign trademark protection can also be construed as a matter of public safety. The sale of counterfeit trademarked pharmaceuticals alone constitutes an estimated \$512 billion in global sales each year or five to seven percent of total international trade.²⁹⁸ Counterfeit products threaten public health and safety due to their typically inferior and sometimes dangerous nature.²⁹⁹ Highlighting the safety issues caused by the piracy of a foreign multinational's trademark can prove more successful than coercive lobbying of local governments.³⁰⁰ When Heinz discovered Chinese pirates were selling products with their trademarked name and even copying Heinz's trademarks on uniforms and delivery trucks, Heinz embarked on a public relations campaign to highlight the threat to Chinese consumers.³⁰¹ The firm publicized raids which highlighted the unsanitary conditions of pirated factories and the risk such conditions would create for children.³⁰² The result was significant interest in local authorities in preventing counterfeits and no serious further problems from pirates.³⁰³

V. Conclusion

The United States has an important leadership role to play in advocating for robust intellectual property protection. America can only serve as an effective advocate, however, if its legislation matches its rhetoric. For a time, the judicial system appeared to be moving in the right direction with regards to protection of well-

²⁹⁶ *Id.* See also Tom Wright, *Indonesia Turns to Trademark Piracy; Cigarette Ruling Gives Hope to Foreign Companies Seeking to Protect Brands*, WALL ST. J., Sep. 9, 2003, at A20.

²⁹⁷ See Mapes, *supra* note 293, at 37. See also Wright, *supra* note 296, at A20.

²⁹⁸ Maria Nelson, Michelle Vizurraga & David Chang, *Counterfeit Pharmaceuticals: A Worldwide Problem*, 96 TRADEMARK REP. 1068, 1068 (2006).

²⁹⁹ Leaffer, *Protecting United States*, *supra* note 160, at 283.

³⁰⁰ See Bird, *supra* note 141, at 357.

³⁰¹ *Id.*

³⁰² *Id.*

³⁰³ See *id.*

known foreign marks. The *Gigante* case decided in the Ninth Circuit, recognizing the well-known marks doctrine, was the leading viewpoint on well-known marks and an attractive precedent for lower courts to follow.³⁰⁴ It appeared only a matter of time before the well-known marks doctrine was cemented as a principle of trademark law in the U.S. federal judiciary.

The *ITC Ltd. v. Punchgini* decision changed that trajectory.³⁰⁵ The Second Circuit directly disagreed with the *Gigante* ruling and refused to recognize the well-known foreign marks doctrine, instead contending that the issue was a matter for legislative, and not judicial, resolution.³⁰⁶ As noted above, the result is that foreign owners of globally famous trademarks cannot be certain as to whether their trademarks will be recognized in the United States against an earlier local user.³⁰⁷

The *ITC* decision is more important than one Indian firm's loss of a single trademark. The decision gives national governments already predisposed against foreign trademarks and western-style intellectual property rights the incentive to retaliate in kind against the United States.³⁰⁸ Given that U.S. firms hold far more value in their trademarks abroad than non-U.S. firms hold within the United States, the possibility exists that the *ITC* decision will encourage a foreign response.³⁰⁹ Firms need to take steps to protect themselves before threats occur, or else American marks remain susceptible to retributive government action.

³⁰⁴ See *Grupo Gigante SA de CV v. Dallo & Co., Inc.*, 391 F.3d 1088, 1098 (9th Cir. 2004).

³⁰⁵ *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 165 (2d Cir. 2007).

³⁰⁶ *Id.*

³⁰⁷ See *supra* note 9 and accompanying text.

³⁰⁸ See *supra* note 145 and accompanying text.

³⁰⁹ See Leaffer, *Protecting United States*, *supra* note 160, at 273.

